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Employer-Based
Amendment to
1115 Demonstration
for the
Primary Care Network
of Utah



Utah Department of Health
Division of Health Care Financing
November 8, 2002

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1115 Waiver Amendment to the Primary Care Network of Utah November 8, 2002

1.0 Purpose

This amendment to the 1115 waiver, the Primary Care Network—approved February 9, 2002—will allow the state of Utah to demonstrate the feasibility and cost-effectiveness of extending health care access to uninsured, low-income, privately-employed adults, with the participation of employers. This component of the PCN waiver will attempt to lower the financial barriers for participation by lower-income working adults in employer-sponsored health plans, and create a unique partnership between government and business.

2.0 Implementation Date

This amendment will take effect on January 1, 2003.

3.0 Local Support

The state has long been interested in finding cost-effective ways to increase comprehensive health care access to lower-income employees, and this has been one of the keystones of the governor's continued efforts at health care reform in Utah. An expanded reading of these efforts is contained in section 1.2 of the 1115 Demonstration Waiver Request, November 15, 2001. The state legislature enacted legislation during its 2002 session that supports this effort. A copy of HB 122 is included as Attachment H in the *Final Operational Protocols* implementing the PCN approved by the CMS.

The Utah Department of Health (DOH) has worked with several groups over the years and included a employer-sponsored part in an earlier 1115 waiver submitted to the U.S. Department of Health and Human Services on July 28, 1995. In preparation for this amendment, the DOH has met several times with, and received the endorsement of, representatives of small employers, insurance plans, and the medical community.

In addition to providing expanded access opportunities for low-income working adults, the state believes that the approach described herein will increase the interest of small employers in initiating group insurance for their employees.

4.0 Premium Subsidies

This project will provide assistance to enrolled participants through a subsidy system to help defray the cost of participating in employer-sponsored health plans.

4.1 Time limits. Subsidies will be provided to an enrollee for a maximum of five years. Providing subsidies for five years will provide the incentive for individuals to move toward commercial health care coverage while providing enough time for the newly insured to recognize the advantages of health care coverage. The five-year time period will provide a span of time over which employee wages can increase to the point of unsubsidized participation in the employer-sponsored plan.

4.2 Amounts. Subsidies for the employee, or the employee's dependents—when the employee is participating in the employer plan but the employee's dependents are not—will be provided on the following schedule, in the designated amounts:

First year of eligibility:	\$50 per month (inflated to each year's amount based on cost neutrality inflation)
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Second year of eligibility: \$50 per month (no reduction)

Third year of eligibility: \$40 per month (20% reduction)

Fourth year of eligibility: \$30 per month (40% reduction)

Fifth year of eligibility: \$20 per month (60% reduction)

4.3 Spouses and dependents. If the employee is married, and the employee and the spouse are otherwise eligible under the PCN, and the employer-sponsored plan provides dependent coverage, subsidies will be provided in the following amounts for dependent coverage:

First year of eligibility: \$100 per month (inflated to each year's amount based on cost neutrality inflation)

Second year of eligibility: \$ 100 per month (no reduction)

Third year of eligibility: \$ 80 per month (20% reduction)

Fourth year of eligibility: \$ 60 per month (40% reduction)

Fifth year of eligibility: \$ 40 per month (60% reduction)

The subsidy will not exceed the amount of the participant's share of the premium. If the premium is less, the subsidy will cover only the premium cost to the employee for the applicable type of coverage.

The department may inflate the value of the subsidy on an annual basis, based on available funding and using the average monthly per person cost of the PCN as a reference point and general factor for consideration.

Time limits and decreasing the value of the subsidies over time will help to reduce internal strife with higher paid co-workers that could possibly occur, and it will assist the state in maintaining budget neutrality over the life of the waiver.

Time limits will also promote a movement into the private insurance market and mitigate long-term reliance on public assistance.

A concern has been expressed that as the subsidy decreases over time, the employee may want to discontinue the program and enroll directly in the PCN. However, this should not be a consideration as there is a 181 day waiting period if an applicant for the PCN voluntarily terminates any health care coverage. See the *Final Operational Protocols*, implementing the PCN, section 3.6.4.2.1, page 13.

5.0 Administration

The employer demonstration component will be administered by the DOH, Office of Children's Insurance and Access Initiatives (OCIAI). The administrator of this office also administers Utah's Children's Health Insurance Plan (CHIP) and the recently approved PCN program.

Eligibility determination for this project will be made by eligibility workers in the Division of Health Care Finance (DHCF), Bureau of Eligibility Services (BES). The BES will establish a centralized eligibility unit with a primary responsibility of working with insurance producers (agents). Insurance producers will then work with companies and employees, thereby, assisting with the eligibility and enrollment processes.

Computer support for eligibility will be provided by the PACMIS. Payment of the premium supplement will be handled by the MMCS housed in DHCF.

Quality Assurance will be maintained by the DHCF, Bureau of Managed Health Care (BMHC) and the Medicaid Eligibility Quality Control Unit (MEQC), located in the DHCF, Office of the Director.

Premium payments will be made by the DHCF directly to insurers, when feasible, or employers of enrolled employees. Cost neutrality will be monitored by the DHCF, Bureau of Financial Services (BFS) and evaluation activities will be overseen by the Research and Analysis Unit (R&A) located in the DHCF, Office of the Director and

the DOH Office of Health Care Statistics (OHCS). More complete functional descriptions of the of the listed organizational entities can be readily found in section 3.2 of the *Final Operational Protocols* for implementing the PCN.

6.0 Program Eligibility

To be eligible for this program, an individual must:

- a. meet all eligibility requirements under the Primary Care Network with the exception of having access to employer sponsored health insurance; and
- b. be eligible to participate in an employer-sponsored health plan as an employee or a dependent of an employee.

In addition, employee participation in this project will be based on the following criteria:

- a. the monthly employee cost of participating in the employer-sponsored plan must exceed 5 percent of the employee's monthly gross income;
- b. if the employee's premium cost for the employer-sponsored plan falls between 5 percent and 15 percent of the employee's countable income, the employee is eligible for the subsidy program only.
- c. if the employee's premium cost for the employer-sponsored plan exceeds 15 percent of the employee's countable income, the employee will have the option of choosing between the PCN or the employer-based subsidy project.

7.0 Employer Expectations

The program will incorporate the industry practice in Utah of requiring the employer to pay at least 50 percent of the health insurance premium of the employee. This minimum commitment is adequate to insure reasonable employer participation in the cost of providing health care insurance. The state will monitor the cost to the employee to identify any significant reductions in employer participation.

To be eligible for this project, plans offered by employers must include coverage and benefits greater than that allowed by Utah Code 31A-22-633 (HB 122) and permitted under Utah law.

8.0 Marketing

Marketing for this project will, in major part, be accomplished through insurance producers (agents) working with small companies. Additional marketing will be done through eligibility workers and health program representatives in the DHCF, along with efforts by the DOH, Office of Public Information. Brochures will be printed and distributed by the OCIAI in the most advantageous locations. Presentations will be made to employer-oriented groups such as chambers of commerce.

9. Program Cap

There will be a cap on the number of individuals enrolled under this waiver amendment. The number of enrollees under this employer-based amendment will be included within the 25,000 cap of the general PCN demonstration program. The employer-based program will be limited to 3,800 adults with children, and 2,200 adults without children. The DHCF will ensure that the total number for the two program components will not exceed the 25,000 cap granted in the approved waiver.

10.0 Budget Neutrality

The cost neutrality data agreed upon by the DHCF and the CMS for the approved general PCN waiver will be inclusive of this program component. The BFS will monitor cost data monthly to ensure the cost neutrality is maintained.

11.0 Evaluation

Evaluation of this program component will be enfolded into the evaluation efforts on the PCN component carried out by the OHCS and the DHCF, R&A. Evaluation efforts will focus on:

- a. employer maintenance of effort; (Track or sample employee contribution

as indicator audit if necessary.)

- b. levels of subsidy necessary to maintain enrollment—tracking enrollment over time by survey; and
- c. disenrollment and attendant reasons.

12.0 Reporting

Reporting will be included within the agreed upon reporting requirements for the PCN program component. All quarterly and annual reports issued by the department on the PCN will include progress updates on the employer component.